

The purpose of this report is to provide U.S. exporters of hotel and restaurant equipment with an overview of the general commercial and economic situation in the Dominican Republic and highlight areas of opportunities for U.S. exports in the hotel and restaurant equipment sector.

### General Overview:

The Dominican economic situation deteriorated in 2003 when GDP growth was -0.4%, inflation reached 43% and the exchange rate reached an all-time high of RD\$50 to US\$1. However, a new administration was sworn into office in August 2004. There is a commitment by the Fernandez administration to re-establish growth and competitiveness. There are already visible signs of growth, including an expansion among the country's banks. In fact, GDP grew by two percent in 2004 and the Dominican peso has appreciated to approximately RD\$28 to US\$1.



This recuperation has been the result of a tight monetary policy and the strengthening of fiscal measures by the Government of the Dominican Republic. These factors were critical to regain the confidence of the economic agents; there has been notable recovery in the exchange rate stability and inflation control.

### Market Overview



The Economic Report published by the Central Bank of the Dominican Republic highlights the tourism sector as one of the most dynamic sectors during 2004.

Activities at hotels, bars and restaurants in the Dominican Republic registered an increase of 4.6 percent in 2004 when compared to 2003. This performance reflects a recovery since Hurricane Jeanne affected the sector in September 2004; over 6,500 hotel rooms were closed down. These hotel rooms were operational again very soon.

The growth in the hotel sub-sector is evidenced by the 4.5% increase of available hotel rooms, which rose from 56,393 rooms in 2003 to 58,932 in 2004. This information confirms the confidence of investors in the sector.

There was also a 1.6% increase in the hotel occupancy rate (from 72.7% in 2003 to 74.2% in 2004) attributable to an increase in the tourist arrivals in the country. The most popular areas are Punta Cana-Bavaro and Romana-Bayahibe with average occupancy rates of 83% and 82% respectively.

One of the pillars of the Dominican economy is the income generated by tourism. It went from RD\$3.1 billion in 2003 to RD\$3.2 billion in 2004, an increase of 1.7%.

The following chart provides a statistical overview of the sector:

**MAIN INDICATORS OF HOTELS, BARS & RESTAURANTS  
2002-2004**

CONCEPT	2002	2003	2004 *	03/02 % change	04/03 % change
Value Added (RD\$ millions of 1970)	443.1	502.0	525.0	13.3	4.6
Available hotel rooms (1)	54,730	56,393	58,932	3.0	4.5
Income generated by tourism (RD\$ millions)	2,730.4	3,127.8	3,180.3	14.6	1.7
Hotel Occupancy rate (%) (2)	62.8	72.7	74.2	9.9	1.6

Source: December 2004 Dominican Economy Report by the Central Bank of the Dominican Republic.

\* Preliminary Figures

(1) Balance through 31 December

(2) Source: Dominican Association of Hotels & Restaurants (ASONAHORES)

**TOTAL ARRIVALS OF PASSENGERS BY AIR  
NON-RESIDENTS  
JANUARY – MARCH 2004-2005**

DESCRIPTION	2004	2005 *	05/04 % change
Non-Residents - Total	961,213	1,038,388	8.03
Dominicans	109,876	130,705	18.96
Foreigners	851,337	907,683	6.62

Source: Central Bank of the Dominican Republic – 1<sup>st</sup> Quarter Tourism Stats report

\* Preliminary Figures

Non-resident travel to the Dominican Republic increased by 8% in the first quarter of 2005. Non-resident arrivals by air travel went up from 961,213 passengers in the period of Jan-March 2004 to 1,038,388 in the same period of 2005.

The Dominican Republic possesses the following infrastructure facilities:

Eight international airports, four of which are being upgraded and/or expanded under private management concessions.

- Las Americas – Santo Domingo
- El Higuero – Santo Domingo (Not in operation – it will replace the Herrera Airport)
- Gregorio Luperon – Puerto Plata
- Arroyo Barril - Samana
- Maria Montez - Barahona
- El Cibao - Santiago
- Punta Cana
- La Romana

Three tourist ports for cruise ships.

- La Romana
- Sans Souci – Santo Domingo
- Puerto Plata

## Market Trends

Industry sources informed the U.S. Commercial Service that the sector is more confident than last year and importers are getting ready to cope with the demand for equipment taking into consideration several hotel/resort projects coming up or already underway. Import levels that were only a couple of percentage points higher in 2004 compared to 2003, are expected to experience over 10% increase in 2005.

In addition to the large hotel/resort projects, which will require large-scale kitchen equipment, there is an expansion in the cities of Santo Domingo and Santiago where smaller restaurants, cafés, and bars are opening, which will also require smaller kitchen equipment and appliances.

Below is a chart that lists projects that are in development or expansion:

**Tourism Projects Approved by the Tourism Development Council  
(CONFOTUR)  
of the Secretariat of State for Tourism of the Dominican Republic**

	PROJECT	LOCATION
1	Capcana	Juanillo, La Altagracia
2	Punta Cana Expansion Project	Punta Cana, La Altagracia
3	Sandals Punta Cana	Punta Cana, La Altagracia
4	J.W. Marriott	Santo Domingo, RD
5	Palace Resort	Macao, Higüey
6	Hotel Ocean Royal Club	El Salado, Higüey
7	Ceyba Park	Miches, El Seybo
8	Ocean World Punta Cana	Punta Cana, La Altagracia
9	Starz Convention Centers	Sosua, Puerto Plata
10	Bahia Principe Punta Cana-Bavaro	Punta Cana, La Altagracia
11	Hotel Ocean Blue Golf & Beach Resort	El Salado, Higüey
12	Expansion Hotel Grand Paradise	Macao, Higüey
13	Hotel Jovero Beach Resort	Miches, El Seybo
14	Hotel Costa Larimar	Barahona
15	Westin Macao Beach Resort	Macao, Higüey
16	Riviera del Mar & Palma Nova	Gaspar Hernandez

Source: Secretariat of State for Tourism – August 16, 2004

The Secretariat of State for Tourism has also announced that the government will invest US\$30 million in the development of an infrastructure plan projects in the tourist areas, including the construction of new highways, roads reconstruction or expansion, potable water installations and residual waters treatment plants. The Minister of Tourism announced that the funds for the planned works would come from the budget, foreign loans and a US\$5 surcharge on airline tickets to the Dominican Republic, both on charter and regular flights. The surcharge will go into effect in May 2005. The U.S. Commercial Service will report on these infrastructure projects separately. Check this website for opportunities as they become available: [http://www.export.gov/eac/trade\\_leads.asp](http://www.export.gov/eac/trade_leads.asp)

## Import Market

Imports are the dominant market source for the hotel and restaurant equipment industry. Overseas purchases represent 96 percent of the total market (approximately US\$ 52 million).

Purchases from the U.S. represent approximately 40 percent of all imports, accounting for approximately US\$18 million in 2004, and are expected to grow by approximately ten percent this year. European countries are the major suppliers to the Dominican market accounting for approximately 55 percent of the import market.

The reason for the large European presence is that European hotel chains (mainly Spanish – such as Melia, Barcelo, etc.) and hotel operators (such as German LTI) are present in the Dominican Republic and demand European equipment and products. Approximately 60 percent of the tourism investors are from Spain and European countries are providing very attractive financing (low interest rates and in certain cases interest paid for those loans are tax deductible as an export incentive for European manufacturers).

## Competition

Leading third-country trademarks present in the Dominican market are listed below by product category:

### RESTAURANT EQUIPMENT

Spain: Salva

Denmark: Bear

Italy: There is a lot of Italian equipment in the market but most of the times it is a generic trademark and the Italian manufacturers customize/label it with the name the importer requires.



### CUTLERY/FLATWARE

Spain: Dalper

China: Alcar

Italy: Inopran

**GLASSWARE**

Mexico:	Crisa
Brazil:	Nadir
Holland:	Royal Leerdam/Pasabache
Turkey:	Sylvana

**HOTEL CHINA**

Spain:	Irabis
Brazil:	Smidht
China:	Alcar
Colombia:	Corona



## End Users

End users of this type of equipment fall into the following categories:

**Market Share**

Hotels & resorts	55%
Restaurants, cafes & bars	40%
Large companies & industrial free trade zones that operate industrial kitchens and cafeterias.	5%

According to the Dominican Association of Hotels and Restaurants (Asonahores) there are 649 hotels and resorts in the Dominican Republic, which constitute the major end user group for hotel & restaurant equipment in the country.

## Sales Prospects

According to local industry sources, the following products offer the best sales prospects:

- Restaurant equipment (cooking range, ovens, dishwashers)
- Kitchen appliances
- Table and kitchen glassware
- Bed and table linen & towels
- China (tableware)

## Market Access

Exporting restaurant equipment and supplies to Dominican Republic is currently neither subject to specific regulations nor incentives. There are no particular safety standards or technical requirements contrary to U.S. standards, and there are no specific labeling requirements.

Although the import tariff rate for this kind of equipment is 20 percent over the CIF value, the effective tax rate can go over 40 percent. This is a result of the application of other taxes such as the 16 percent value added tax (ITBIS), and the exchange surcharge tax of 13 percent.



## Direct Imports Costs Template

Base Price	US\$100.00
Exchange to pesos (US\$1.00=RD\$28.56*) (*) Official Exchange rate at Dominican Customs 4/17/05	RD\$2,856.00
Freight & Insurance (average 8%)	RD\$228.48
Dutiable Base = CIF in RD\$ pesos	RD\$3,084.48
20 percent Duty Rate (Arancel)	RD\$616.90
- Exchange surcharge 13 of CIF	RD\$400.98
VAT Base	RD\$4,102.36
VAT=ITBIS 16 percent	RD\$656.38
Freight Forwarders fees (1.5% on CIF)	RD\$4,758.74 RD\$46.27
Bank Charges - Draft of letter of credit 2% of CIF	RD\$61.69
Landed Cost	RD\$4,866.70

In order to introduce new products to this market, it is strongly recommended that U.S. companies provide the leading buyers with sales materials. Promoting products in trade fairs will provide suppliers with extra exposure. Invitations to U.S. trade shows are also encouraged. Although Dominican distributors of hotel and restaurant equipment visit major trade shows in the U.S. and in other countries, it is also expected for manufacturers to visit frequently and to send, by e-mail or fax, promotions and information on new products.

The Dominican Association of Hotels and Restaurants holds an annual conference and trade exposition. For more information you may contact:

ASONAHORES - Asociacion Nacional de Hoteles y Restaurantes

Santo Domingo, Dominican Republic

Telephone: (809) 540-4676

Fax: (809) 687-4727

Website: [www.asonahores.com](http://www.asonahores.com)

Trade Event dates: August 31-September 3, 2005

The Caribbean Traveling Network (CTN) holds a tourism trade event annually, Feria Turistica which will be held from May 19-22, 2005. For more information, contact:

CTN

Santo Domingo, Dominican Republic

Telephone: (809) 221-2221

Fax: (809) 221-1777

Website: [ctn@verizon.net.do](mailto:ctn@verizon.net.do)





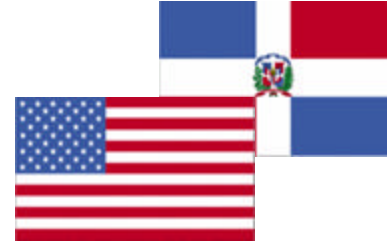


U.S. companies should also keep in mind that the Dominican market is price conscious. Financing is also an important factor to be considered by American firms, since interest rates at local banks are high compared to those prevailing in the U.S. Keeping local customers aware of the latest technologies available in the U.S. could also create new sources of demand.

Many Dominican importers are eager to represent U.S. companies. However, U.S. exporters are advised to become familiar with the Dominican Agents and Distributors Protection Law (Law 173 dated April 6, 1966) before entering into any exclusive distribution agreement. Copies of the law are available from the Commercial Service at the U.S. Embassy in Santo Domingo.

For more information please contact:

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